



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
STATE PUBLIC WORKS BOARD
PUBLIC BUILDINGS CONSTRUCTION FUND
BUILDING CERTIFICATES
YEAR ENDED JUNE 30, 1979**

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

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FINANCIAL AUDIT REPORT
STATE PUBLIC WORKS BOARD
PUBLIC BUILDINGS CONSTRUCTION FUND
BUILDING CERTIFICATES
YEAR ENDED JUNE 30, 1979

MAY 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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DANIEL BOATWRIGHT
LEROY GREENE
BRUCE NESTANDE

□ STATE CAPITOL
SACRAMENTO 95814
(916) 445-7380

□ 925 L STREET
SUITE 750
SACRAMENTO 95814
(916) 445-0255

S. FLOYD MORI
CHAIRMAN

May 23, 1980

871

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the State Public Works Board, Public Buildings Construction Fund - Building Certificates, year ended June 30, 1979.

The auditors are Richard I. LaRock, CPA, Audit Manager; Cynthia Hoffart, CPA; and Enrique Farias.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Public Buildings Construction Fund, Building Certificates. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The Public Buildings Construction Fund was established in 1955 to finance the acquisition of sites and the construction of public buildings. This fund is administered by the State Public Works Board. Since 1955, the State Public Works Board has authorized three issues of building certificates for financing the construction of eight state buildings and one garage. The Department of General Services maintains the buildings and pays the principal and interest on the outstanding certificates.

Building certificates may be issued pursuant to provisions of the Government Code and upon resolution of the State Public Works Board. The code allows the board to sell the certificates at their face value to state agencies having jurisdiction over special or trust funds, providing that the Board and the agencies are in mutual agreement. Interest may not exceed 5 percent per year. Net revenues from the buildings are pledged to the payment of principal and interest on the certificates.


AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the balance sheet of the Public Buildings Construction Fund, Building Certificates as of June 30, 1979 and the related statement of revenues, expenditures, and changes in fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Public Buildings Construction Fund comprises two separate accounts: the California Exposition Revenue Bonds and the Building Certificates. The financial statements of the fund's California Exposition Revenue Bonds account are not included in the accompanying financial report. However, an independent accounting firm has examined the statements of the California Exposition Revenue Bonds and has issued a separate opinion on them dated August 16, 1979.

In our opinion, the accompanying financial statements present fairly the financial position of the Public Buildings Construction Fund, Building Certificates as of June 30, 1979 and the results of its operations and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.


WESLEY E. MOSS
Assistant Auditor General

Date: February 22, 1980

Staff: Richard I. LaRock, CPA
Cynthia M. Hoffart, CPA
Enrique Farias

STATE PUBLIC WORKS BOARD
PUBLIC BUILDINGS CONSTRUCTION FUND
BUILDING CERTIFICATES

BALANCE SHEET

JUNE 30, 1979

ASSETS

Cash	\$ 9,959
Interest receivable from Surplus Money Investment Fund	24,146
Deposits in Surplus Money Investment Fund (Note 2)	734,000
Improvements (Note 3)	55,030,373
Equipment	<u>25,449</u>
Total Assets	<u>\$55,823,927</u>

LIABILITIES AND FUND EQUITY

Liabilities:	
Principal and interest on building certificates payable (Note 4)	\$ 333,496
Building certificates outstanding (Note 5):	
1956 Issue 6,286,685	
1958 Issue 9,225,534	
1960 Issue <u>1,094,336</u>	<u>16,606,555</u>
Total Liabilities	<u>16,940,051</u>
Fund Equity:	
Investment in Fixed Assets (Note 7)	38,449,267
Designated for Debt Service (Note 7)	<u>434,609</u>
Total Fund Equity	<u>38,883,876</u>
Total Liabilities and Fund Equity	<u>\$55,823,927</u>

The notes to the financial statements are an integral part of this statement.

STATE PUBLIC WORKS BOARD
PUBLIC BUILDINGS CONSTRUCTION FUND
BUILDING CERTIFICATES

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Revenues:	
Rental Income	\$ 4,001,951
Interest from Surplus Money	
Investment Fund	<u>43,935</u>
Total Revenues	<u>4,045,886</u>
Expenditures:	
Payment of Interest	<u>824,963</u>
Excess of Revenues over Expenditures	3,220,923
Fund Balance, July 1, 1978	<u>35,662,953</u>
Fund Balance, June 30, 1979	<u><u>\$38,883,876</u></u>

The notes to the financial statements are an integral part of this statement.

STATE PUBLIC WORKS BOARD
PUBLIC BUILDINGS CONSTRUCTION FUND
BUILDING CERTIFICATES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the State Public Works Board, Public Buildings Construction Fund, Building Certificates. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The Department of General Services accounts for this fund. The State Controller maintains central accounts and annually publishes financial statements for all state funds.

The Public Buildings Construction Fund, Building Certificates is accounted for as a Fiduciary Fund. This fund provides for purchasing and acquiring real property, constructing buildings, and improving new and existing property and buildings. The activities of the fund are financed by the issue and sale of building certificates which are repaid by revenue from the rental of the properties. The Department of General Services is responsible for the management of the buildings. The revenues, rentals, or receipts are pledged to the payment of the principal and interest on the certificates after the costs of maintenance have been deducted.

Income

Throughout the fiscal year income is accounted on a cash basis. At June 30, the accounts are adjusted to accrue earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, principal and interest expenditures are accrued.

2. DEPOSITS IN SURPLUS MONEY INVESTMENT FUND

This account includes temporary cash reserves of funds of the board which may be transferred to and from the Surplus Money Investment Fund for cash flow and pooled investment purposes. Earnings derived from investments of the Surplus Money Investment Fund are apportioned to contributing funds in proportion to the resources each fund provided during the period and are accrued on the statements of the State Public Works Board.

3. IMPROVEMENTS

Buildings, improvements, and additions to existing facilities are capitalized. This account also includes interest accrued before, during, and six months after construction. In accordance with applicable accounting principles for governmental entities, depreciation on buildings and improvements is not recorded. The land upon which the buildings and improvements are built is not recorded in this fund.

4. PRINCIPAL AND INTEREST PAYABLE ON BUILDING CERTIFICATES

This account shows the amount of principal and interest due on outstanding certificates as of June 30.

5. BUILDING CERTIFICATES OUTSTANDING

Revenues, rentals, or receipts from the public buildings authorized under issues 1956, 1958, and 1960 are pledged for the payment of principal and interest on the certificates issued to finance the buildings' construction after the maintenance costs have been deducted. The certificates issued are secured by a lien upon the revenues, rentals, or receipts from the authorized buildings.

6. BUILDING CERTIFICATES - AUTHORIZED AND UNISSUED

The State Public Works Board is authorized by the Legislature to issue certificates to acquire real property and construct state buildings. As of June 30, 1979, authorized but unissued certificates amounted to \$3,194,318 for all issues.

7. FUND BALANCE

Investment in Fixed Assets

This account shows amounts capitalized as fixed assets. Assets purchased are recorded as expenditures in the year of acquisition or encumbrance. Generally, all assets valued at approximately \$150 or more with a useful life of two years or more are accounted for in the Investment in Fixed Assets account. There were no charges to the account during fiscal year 1978-79.

Designated for Debt Service

This account consists of monies designated for payment of principal and interest on outstanding building certificates.

cc: Members of the Legislature
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Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
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California State Department Heads
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